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ABSTRACT

This user-oriented evaluation handbook was prepared to assist State Advisory Councils on Vocational Education (SACVE) in their efforts to respond to various evaluation responsibilities prescribed in the 1976 Vocational Education Amendments. The contents of this handbook, which include basic steps in conducting a performance audit, are divided into five chapters. Chapter 1 presents an introduction to performance auditing and discusses reviewing programs as an aid to improving them. A description of the target audience, organization of the handbook and work sheet number 1 (assessing resources) are also included in chapter 1. Chapter 2 provides background information, including a summary of SACVE evaluation responsibilities; and evaluation framework for SACVE and staff; how to use information gathered by other staff; how to collect new information through performance auditing; a description of the AIDE (Auditing to Improve Departments of Education) project; and work sheet No. 2 (SACVE Information Needs Assessment). Performance auditing is defined in chapter 3, and work sheet No. 3 (Purpose Checklist) is presented. The suggested steps in the performance auditing process are detailed in chapter 4, and work sheet No. 4 (Audience Check List) is presented. Finally, chapter 5 discusses how to use the results of the audit. The appendix provides an historical perspective on the evolution of performance auditing. (BM)

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Research and Development Series No. 188

EVALUATION GUIDELINES AND PRACTICES FOR STATE ADVISORY COUNCILS

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The National Center for Research in Vocational Education
The Ohio State University
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1980

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U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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FOREWORD

The Evaluation Handbook, *Evaluation Guidelines and Practices for State Advisory Councils,* was prepared to assist State Advisory Councils on Vocational Education (SACVEs) in their efforts to respond to various evaluation responsibilities prescribed in the 1976 Vocational Education Amendments. Recognizing that resources with which SACVEs must work will vary from state to state, and that the composition of SACVE membership is rich in talent and diversity, National Center staff sought contact with many SACVE staff members in an effort to prepare a handbook that is "user-oriented."

For their help in describing activities performed by their respective councils, recognition is given to: Don Mitchell, Illinois; Joseph W. Parry-Hill, North Carolina; Wallace Vog, New York; C.A. Cromer, Nebraska; and Yolanda Lopez, Puerto Rico.

The performance auditing process is suggested because of its unique potential to serve as a SACVE evaluation tool, as an information-gathering vehicle, and as a means through which the SACVE may assist program managers in their efforts to improve the vocational education system in their states. The methods described are optional, and not intended to be the "last word" in evaluation approaches the SACVE may choose to follow. In developing auditing for SACVE purposes, we are indebted to the useful suggestions offered by the following individuals who reviewed draft copies of the handbook: Alton D. Ice, Texas; Richard Baker, Alabama; Robert White, South Carolina; and Christine Szigeti-Johnson, Maine.

To Ralph Bregman of the National Advisory Council on Vocational Education we owe a special thanks for his review of the draft and his interest and helpful comments throughout the writing process.

The National Center is particularly indebted to Nancy F. Stephens who prepared the handbook, and to Janet Spirer who directed the project. Recognition is also due to Floyd L. McKinney, Program Director and to N.L. McCaslin, Associate Director for Evaluation and Policy, who provided assistance throughout this project. In addition, appreciation is extended to Nancy Powell and Carolyn Hamilton who typed and edited the manuscript, respectively.

On behalf of the National Center, I want to express appreciation to the Bureau of Occupational and Adult Education, U.S. Office of Education for sponsoring this evaluation handbook.

Robert E. Taylor
Executive Director
The National Center for Research
in Vocational Education

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CHAPTER I
INTRODUCTION

Members of state advisory councils on vocational education (SACVEs) and their staffs have developed and are refining creative, workable approaches to meeting their responsibilities to evaluate vocational education. Expanded and strengthened through the 1976 Vocational Education Amendments, these responsibilities have been defined by Congress in such a way as to allow for flexible interpretations within the individual circumstances of each state's delivery system.[1]

In presenting this handbook on performance auditing as an approach to meeting SACVE evaluation responsibilities, it is not the intention to suggest a definitive evaluation methodology which is superior to all others. Probably no single approach will neatly resolve the ambiguities and conflicts inherent in first interpreting, and then addressing legislative intentions.

Performance Auditing: A Complementary Approach

Because a significant amount of program information is already being generated through the evaluation efforts of the state boards of education and local and federal agencies,[2] this handbook will explore an evaluative role for SACVEs which would complement rather than duplicate the efforts of others: performance auditing. Auditing, whether it investigates financial, compliance, or performance aspects of an organization, always involves an examination of already-existing program records. If, for example, the state board sets up an evaluation system which produces information regarding program results, an audit of that set of data can verify the evaluation results, or possibly reveal weaknesses in evaluation procedures which resulted in an incorrect program description. The SACVE members can then indicate problem areas to the state board without themselves having designed and implemented a comprehensive evaluation system—a monumental task which would not be practical given their many other duties, and which has already been assumed by the state board.

Reviewing Programs as an Aid to Improving Them

There is another way in which the performance audit conducted by SACVEs may complement already-existing evaluation activities. Most educational evaluations and audits carry with them a "critical" tone which understandably inclines program managers to be somewhat suspicious of what they may perceive as "faultfinding" intentions on the part of examiners. Because of the advisory nature of the SACVE, there is excellent potential for the SACVE audit to be performed in a spirit of cooperation with the audited program, thus enhancing the incorporation of audit findings into plans for improvement.

[1] See Chapter II for a fuller discussion of SACVE evaluation responsibilities.

[2] For further discussion, see Education Commission of the States, *Evaluation of Vocational Education: Roles, Responsibilities, and Responses of State and Federal Agencies.* (Columbus, Ohio: National Center for Research in Vocational Education, The Ohio State University, 1979)

Target Audience and Organization of this Handbook

The contents of this handbook, which include basic steps in the conduct of a performance audit, may be incorporated by SACVEs in several different ways, depending largely on how the auditor or audit team is chosen.

- If a professionally trained and experienced auditor is hired as part of the SACVE staff, he/she may benefit from a review of these materials, particularly as they apply to auditing within an educational context, and as they stress the assisting and cooperative tone which hopefully will differentiate the SACVE audit from other types.
- If the SACVE auditor is already a staff member with little or no experience in auditing, this handbook may provide a sound basis for understanding and practicing the art, as well as a springboard for more comprehensive study of performance auditing.
- In those SACVE organizations in which limited resources are available to hire professional staff, the handbook should be useful to members who may use it as a basis for organizing an audit team from within their own membership.
- Finally, as a staff development tool, the materials here can provide a perspective on the performance auditing process which will enhance staff and council members' ability to understand the steps involved in the systematic collection, organization, and dissemination of data.

However, the greatest use of this handbook will probably be by those SACVE staff members who may have little experience or training in auditing, but on whom the basic responsibility for designing and implementing SACVE evaluation activities rests.

It is therefore to the professional and technical staffs of the state advisory councils that this handbook is addressed, in an effort to provide a workable framework for SACVE evaluations and an optional methodology—performance auditing—for staffs to use in obtaining information required for purposes of evaluation, program improvement, and knowledge development regarding the state's vocational education delivery system.

Subsequent chapters of the handbook will explore the applicability of performance auditing to staffs and members as they seek to fulfill their evaluation responsibilities. Particular attention will be focused on how the audit is conducted, with checklists and work sheets accompanying each chapter to guide the reader through the auditing process. A discussion of how performance auditing evolved from financial and compliance auditing into the process described here, and as is reflected in the U.S. General Accounting Office, "Standards," is included in the appendix.

Because circumstances vary from council to council, the following work sheet is provided to help SACVE staffs assess resources available to them in adopting the auditing process to their own unique needs.

Work Sheet No. 1
Performance Auditing

SACVE RESOURCE ASSESSMENT

Completing the following inventory will provide a quick reference of your council's resources.

1. *What funds are available for the council's yearly activities?*

2. *How are those funds allocated?*

   Staff

   Projects

   Other

3. *What talents exist within the SACVE membership?*

Name	Profession	Expertise

Name	Profession	Expertise

4. *Which staff and council members have experience or training in (1) accounting, (2) auditing, (3) educational evaluation? (list)*

Accounting	Auditing	Educational Evaluation

CHAPTER II.
BACKGROUND

State advisory councils on vocational education (SACVEs) were established in 1968 as part of the Vocational Education Amendments (P.L. 90-576). The intended purpose of these advisory councils was summarized in a letter written April 30, 1973, from Congressmen Albert Quie, William Steiger, and Floyd Meeds to the Secretary of Health, Education and Welfare:

> We strongly believe that independent, lay, advisory councils, at both the national and state levels, infusing the view and perspective of business, labor, and the general public into the educational process, are especially important in the area of vocational education. They provide advice to both the educational administrators and to Congress which cannot be furnished by professional educators.

Over the years, concern for the independence of state advisory councils from their state boards has been expressed in Senate and House Reports. Some individuals have doubted that councils could make independent evaluations if they were financially dependent and therefore subject to control by the administrators of programs they were charged to evaluate.[3] Therefore, amendments were inserted in the Vocational Education Amendments of 1976 (P.L. 94-482) and regulations were changed to make state advisory councils independent of on-going program operations and administration.

One such change found in P.L. 94-482, Section 105 (e), contains the provision for hiring staff:

> Each State Advisory Council is authorized to obtain the services of such professional, technical, and clerical personnel as may be necessary to enable it to carry out its functions under this Act and to contract for such services as may be necessary to carry out its evaluation functions, independent of programmatic and administrative control by other State boards, agencies, and individuals.

SACVE autonomy was further enhanced by stipulations safeguarding their control of operational funds [(P.L. 94-482, Section 105 (f-2)]:

> The expenditure of (these) funds is to be determined solely by the state advisory council for carrying out its functions under the Act, and may not be diverted or reprogrammed for any other purpose by any state board agency or individual . . .

[3] U.S. Congress, House, *Report of the Committee on Education and Labor Together with Additional Views*, The Vocational Education and National Institute of Education Amendments of 1976, 94th Cong., 2d sess., 1976, H. Rept. 94-1085 to accompany H.R. 12835, p. 32.

Summary of SACVE Evaluation Responsibilities

Although the SACVEs have many duties[4] which would require the assistance of full-time staff, it is the evaluation responsibilities that are the focus of this handbook. Following are three basic levels of evaluation responsibilities that have been identified in the 1976 legislation by a study conducted for the North Carolina Council on Education.[5]

The Review Level: Councils are required to inspect and comment on

- the program evaluations conducted by the state board for vocational education (P.L. 94-482)
- the distribution of federal funds for vocational education
- the reports of the State Employment and Training Council (established by the Comprehensive Employment and Training Act of 1973 as amended)

The Assisting and Monitoring Level: State advisory councils are mandated to assist the state boards in developing plans for evaluating local programs at least once every five years, and to monitor these evaluations.

The Action Level requires the SACVE to:

- conduct its own evaluation of the effectiveness of vocational education programs, activities, and services
- prepare an evaluation report which contains recommendations for change as appropriate
- assess the extent to which vocational education and related programs represent a consistent, integrated and coordinated approach to meeting the vocational education, training, and employment needs of the state's population

The vagueness of the words "monitor," "assist," and "advise" which occur throughout the first two levels of evaluation can be considered advantageous—it allows enough flexibility for the SACVEs and state boards to develop the necessary working relationship to perform their respective mandates.[6] It is clear that the legislated evaluation assignments, which are both extensive and complex, are intended to assist the SACVE members to become increasingly informed about all activities relating to vocational education so they will be able to influence program and policy decisions. The degree of involvement that SACVEs will achieve in carrying out their advising, monitoring, and assisting roles will depend to a large degree on their knowledge of the goals and practices of the vocational education system of their state, their persuasive use of information, and the degree of cooperation existing between such agencies as the councils, the state board, and state employment services councils. The manner in which advisory council members fulfill their evaluation responsibilities on the review, assisting, and monitoring levels will depend on resources and circumstances unique to each state, and may result in a variety of satisfactory approaches.

[4] National Advisory Council on Vocational Education, *Resource Book for State Advisory Councils on Vocational Education*, p. 63.
[5] MDC, Inc., *Final Report: Evaluation Project for the North Carolina Council on Education* (Chapel Hill, N.C.: MDC, 1979), pp. 3,4.
[6] Ibid., p. 3.

The *action* level is very pointed in its language, and requires written evidence of the councils' activity and conclusions regarding:

- their own evaluation of the effectiveness of vocational education programs and services
- their own assessment of the extent to which vocational education and related programs represent a consistent, integrated, and coordinated approach to meeting the vocational education, training, and employment needs of the state's population

To meet their extensive evaluation responsibilities on the action level, most advisory councils have requested assistance of professional and technical staff in addition to drawing on the diverse talent and experience found within the council membership.

Although the review and assisting levels are not less important in the scope of assigned SACVE evaluation responsibilities, it is the action level which is important in preparing this handbook, because it requires a strategy which while it enables the SACVE to effectively perform their duties, at the same time has to be realistic in light of the limited time and resources most councils can afford.

An Evaluation Framework for SACVE and Staffs

Coming from varied backgrounds and diverse professions, advisory council members have a basic capacity for good judgment, and an ability to become informed in the vocational education field. It would not be surprising, however, to find only a few members who will have had prior experience in either evaluation or vocational education.[7] Advisory council members are nevertheless expected to make the kind of judgments made daily as ideas and actions are evaluated against a background of knowledge and experience. Although advisory council members are not themselves responsible for making program and policy decisions, they are responsible for providing information from their own unique perspectives that will improve the ability of decision-makers on local, state, and federal levels to make positive changes in vocational education.

Given the broad evaluation tasks assigned to the SACVE and the limitations they must work within as lay advisors, advisory council members must rely heavily upon their professional and technical staffs for information about state programs. SACVE staffs must in turn sift through the information available, and at times conduct independent investigations of state programs, activities, and services in order to provide council members with data relating to such questions as:

- Is progress being made toward meeting goals set forth in the state plans for vocational education?
- How well does available data reflect what is actually happening?
- What are the procedures for starting up and eliminating a program in vocational education in your state?
- What are the apparent driving forces behind these procedures? (e.g., are they service-oriented or self-serving?)
- How accessible are vocational education programs to those who need and want them?

[7] National Advisory Council, *Resource Book*, p. 31

- How appropriate are training programs to the wider range of community needs?
- Are programs coordinated sufficiently to be effective for society but not so tied together as to hamper the individual?
- Do evaluation designs go beyond compliance to assess the quality of programs?

Using Information Gathered by Other Agencies

SACVE staffs are not the only groups seeking information about the effectiveness of vocational education programs. Because federal funds to local governments usually pass through state administrations, it is not uncommon for an organization to be reviewed by several auditors or evaluators representing the federal government, such as the General Accounting Office (GAO), the Department of Education and, on the state level, the state department of education. The focus of most of these program reviews or audits has been to ascertain the audited agency's compliance with regulations and their effective use of public funds. The data thus gathered by other agencies and obtained by SACVE staffs can be an important resource in deciding what focus their own inquiries will have.

Collecting New Information through Performance Auditing

SACVEs cannot, however, rely just on information gathered by other agencies. Their responsibilities, particularly those evaluation tasks outlined on the action level, require investigations of their own. The selection of performance auditing as a strategy for 1) evaluation, 2) information gathering and 3) improving programs has been used by the U.S. General Accounting Office, and described within the educational context for the Office of Education in a project submitted by the State of Alabama in 1974, which culminated in the book *Auditing Public Education.*[8]

The AIDE Project

The "AIDE Project" (Auditing to Improve Departments of Education), concluded in 1974, was based on consultations with leading authorities in the fields of auditing and education. It consists of state-of-the-art descriptions of auditing, the evolution of auditing concepts, future trends in auditing, and their implications for educational programs. Finally, it offers some specific recommendations for expansion of educational auditing procedures to go beyond financial reviews to aid in the improvement of programs.

Following are several selected recommendations from the AIDE Project that are of interest in delineating a potential auditing role for SACVE staffs.

> We endorse broad-scope audits of SEAs (State Education Agencies) and LEAs (Local Education Agencies) if the objectives of such audits are oriented toward 'helping' rather than 'policing'.

[8] Peter L. McMickle and Gene Elrod, *Auditing Public Education.* (The AIDE Project), Montgomery: Alabama Department of Education, 1974.

> We recommend that Federal Auditors conduct, at least on an experimental basis, educational audits that are of a 'general performance' nature rather than a 'compliance/performance' nature.
>
> We suggest that experimental programs be implemented to test the feasibility and potential of (1) auditor specialization in educational audits and (2) audit teams which include professional educators.[9]

The research and recommendations of the AIDE Project appear to have broad implications for the delineation of an audit role for SACVE staffs—particularly as performance auditors.

Having completed the resource inventory (Worksheet 1), SACVE staff should have a clear idea of what they have to work with. Worksheet 2, which follows, may be used as a guide to planning which evaluation activities must be undertaken, and how and when they will be accomplished. Which information needs might be satisfied through a review of existing records and reports (auditing)?

[9] Ibid., pp. 207-209.

SACVE INFORMATION NEEDS ASSESSMENT

Information needs may be established by working through the following list of SACVE activities mandated by Congress. Which information needs might be satisfied by a SACVE performance audit?

	TARGET DATES	INFORMATION COMPLETE	
1. Advise the State Board (1) on the development of the five-year state plan; (2) annual plan; (3) accountability report; and (4) on policy matters arising from administration of programs established under these documents [Sec. 105(e)(1)]		Yes	No

PLANNING NOTES

1.

2.

3.

4.

	TARGET DATES	INFORMATION COMPLETE	
2. Evaluate vocational programs, services, and activities assisted under this Act and publish and distribute the results thereof [Sec. 105(d)(2)]		Yes	No

PLANNING NOTES

1.

2.

3.

4.

	TARGET DATES	INFORMATION COMPLETE
3. Prepare and submit to the Commissioner and the National Advisory Council on Vocational Education an annual evaluation report		Yes No

PLANNING NOTES

1.

2.

3.

4.

	TARGET DATES	INFORMATION COMPLETE
4. Identify, after consultation with the State Manpower Service Council, the vocational education and employment and training needs of the State, and assess the extent to which vocational education, employment training, vocational rehabilitation, and other programs assisted under this and related acts represent a consistent, integrated, and coordinated approach to meeting such needs [Sec. 105(d)(4)(a)]		Yes No

PLANNING NOTES

1.

2.

3.

4.

	TARGET DATES	INFORMATION COMPLETE	
		Yes	No

5. Hold at least one public meeting each year during which the public is given an opportunity to express views concerning the vocational education program of the State [Sec. 105(c)]

PLANNING NOTES

1.

2.

3.

4.

	TARGET DATES	INFORMATION COMPLETE	
		Yes	No

6. Provide technical assistance as requested to local advisory councils and recipients of P.L. 94-482 funds in the establishment and operation of local advisory councils [Sec. 105(q)(1)&(2)]

PLANNING NOTES

1.

2.

3.

4.

CHAPTER III.
PERFORMANCE AUDITING: DEFINED

Performance auditing as presented in this handbook is not a "made-up" activity especially created for the SACVE, but a set of procedures which has evolved from financial auditing to embrace administrative responsibilities for program performance as well. The following definition is sufficiently comprehensive and provides a structure within which the major components of performance auditing may be observed and discussed:

> Performance auditing is an analytical process consisting of preparation, conduct, reporting, and reconciliation. The basic elements of this process are: an independent auditor, or team of auditors, who execute the process upon an auditee for an audit recipient. The scope, or areas of concern, involves program performance, factors such as economy, efficiency, and/or effectiveness of operational controls, management information systems, programs, etc. The objective or purpose of performance auditing can be some combination of accountability and management assistance in improving and/or communicating program results.[10]

The General Accounting Office has been a leader in providing audit standards which emphasize the examination of the effectiveness of program performance through a review of results. It is those standards and procedures which are of particular interest to us in defining an audit role for the SACVE and their staffs (see Appendix).

The SACVE may choose to audit program performance through a review of evaluation data produced through the state board evaluation system. This procedure will be referred to as an *Evaluation Audit.* On the other hand, the SACVE Performance Audit may involve direct contact with the audited program through interviewing, observation, and review of pertinent materials. This procedure will be designated a *General Program Audit.* In summary:

The *evaluation audit* – a review which consists only of the evaluation of previously prepared evaluation plans, procedures, and reports of the audited agency. The evaluation audit may be conducted without direct visits to the audited agency, or it may be incorporated into the general program audit process to provide additional depth to the overview.

The *general program audit* – an overview examination of the major control points in the organization, or an in-depth review of a few areas of the organization. The general program audit typically gathers information through:

- on-site visits
- interviews
- observation
- review of materials

[10] Ibid., pp. 34 and 35.

What is the Purpose of SACVE Performance Audits?

Although by its very definition a performance audit implies some degree of accountability of the auditee to the audit recipient, the suggested role for SACVE staffs will de-emphasize that aspect in favor of aiding management and improving future operations. Vocational education programs are already undergoing numerous evaluations and audits for accountability/compliance purposes.

While other agencies are performing audits whose purpose is to ascertain accountability and compliance with program standards, such audits are often perceived as threatening by the audited agency who may suspect that auditors are looking only for defects rather than accomplishments. These circumstances tend to discourage an atmosphere of mutual interest in program improvement —which should be the final result of all evaluation effort. The SACVEs, however, as independent advisors to vocational education, have the unique opportunity to perform audits in a spirit of cooperation with program administrators who, in turn, may feel more receptive to a review conducted by a non-funding agency, whose purpose is to help rather than to criticize.

In addition to (1) providing a vehicle for encouraging program managers to help overcome negative associations with "evaluation" (we do not suggest this can be accomplished overnight!), the performance audit can (2) yield information important to SACVE members and staffs in increasing their general understanding of the vocational education process, and (3) provide a method through which the SACVEs can discharge their evaluation responsibilities as prescribed in the 1976 Vocational Education Amendments.

Who is Involved in the SACVE Performance Audit?

Any audit—financial, compliance, or performance—will involve an auditor, an auditee, and an audit recipient. Audits are usually performed upon an auditee on behalf of an audit recipient to whom the auditee is financially or legally accountable. In the case of SACVE audits, this relationship will be less formal in that no vocational education program or service is strictly accountable to the SACVE. However, an audit relationship can be established, with the Advisory Council itself acting as audit recipient of the audit performed by its own staff on any state program, activity, or service related to vocational education whose available evaluation data would allow that program's results to be reviewed for effectiveness by the SACVE auditors. As we have noted earlier, the advisory nature of the SACVE may be advantageous in helping to create a positive climate for the performance audit.

The auditor or audit team must possess the essential characteristics of independence, competency, and professionalism. There are several possibilities in choosing a SACVE auditor:

- The auditor may be professionally trained and experienced, hired by the SACVE as a permanent or temporary staff member. He/she may conduct performance audits either alone or with a staff, including SACVE members who have knowledge or expertise important to the program being audited.
- A staff member knowledgeable in vocational education who is self-trained in performance auditing techniques may serve as the auditor. The SACVE auditor in this option would probably function best as an audit team leader who carefully recruits other SACVE members and staff to round out the experience and knowledge requirements for the audit.

- A third possibility would occur in the case where the SACVEs lack resources to employ professional staff and must therefore recruit an audit team and leader from their membership. The possibility exists that a trained auditor is also a SACVE member. However, where little experience or training exists, the audit team and leader can prepare themselves by thoroughly reviewing performance auditing steps found in this handbook in order to maintain their credibility as competent auditors.

How is the SACVE Audit Conducted?

Although the four parts to an audit—preparation, conduct, reporting, and settlement—apply equally to financial, compliance, and performance auditing, the steps of the performance auditing process will be highlighted in detail in the following chapter. The two forms of performance auditing recommended to SACVE staff, the general program audit and the evaluation audit, are treated during a discussion of the conduct stage of the performance audit, including suggestions as to the complementary use of the two processes.

In deciding which form their performance audit should take, SACVE staffs may be guided by the following checklist of audit purposes. A decision to confine the audit activity to a review of evaluation plans and reports may be based on a "yes" answer to the first three questions. The remaining questions may serve as examples of objectives which might shape the preliminary plan for conducting a general program audit.

Work Sheet No. 3
Performance Auditing

PURPOSE CHECKLIST

Evaluation Audit

YES	NO	
☐	☐	Can the proposed program, activity, or service produce evaluation plans, procedures, and reports which may be audited?
☐	☐	Is information adequate to verify the accuracy of previously conducted evaluation?
☐	☐	Is the available evaluation data sufficient for SACVE information needs?

General Program Audit

In the event that insufficient evaluation data is available for auditing a particular program, the following questions may help define information purposes which may be fulfilled by the more comprehensive general program audit.

YES	NO	
☐	☐	Is information needed about the needs and problems which should be addressed by the program?
☐	☐	Is information needed about how well the program meets standards of excellence for vocational education?
☐	☐	Is information needed about the long-term impact of the program on participants?
☐	☐	Is information needed on how well this program's outcomes compare with similar programs?
☐	☐	Is information needed about the cost of the program in relationship to the outcomes produced?
☐	☐	Are program managers interested in using audit results to monitor and/or improve their programs?
☐	☐	Are other audiences, besides the SACVE and program managers, interested in the results of the audit?

CHAPTER IV.
PERFORMANCE AUDITING: PROCESS

The four stages in the audit process presented here are common to all three types of audit: financial, compliance, or performance. Because the scope and objectives of audits vary, the auditor will need to modify these procedures, based on each situation. The steps within each audit stage are similar for all three types of audit; however, the greatest variation occurs in the conduct stage. This handbook emphasizes the performance audit--particularly that part of a performance audit entailing a review of program effectiveness. Therefore the steps necessary to conduct the performance audit are highlighted here, while those for financial and compliance audits are not treated.

Outlined below are the steps in the audit process -- *preparation, conduct, reporting, reconciliation* -- which are elaborated on in this chapter. Examples from vocational education are provided as well as checklists and work sheets which may be useful in guiding SACVE staff through the audit process.

Suggested Steps in the Audit Process

Preparation

1. Decision to Conduct the Audit
2. Selection of the Audit Team
3. Pre-engagement Contact
4. Auditor Familiarization
5. First Draft of the Audit Plan
6. The Audit Entrance Conference
7. The Walk-Through
8. Revision of the Audit Plan

Conduct

1. The General Program Audit

   Examination of Input, Process, and Output through:

   a. Interviews

   b. Observation

   c. Review of records and reports

2. The Evaluation Audit

   a. Checking and reporting on the strengths and weaknesses of the Evaluation Plan

   b. Verifying the accuracy of the evaluation findings and report

Reporting

1. Continuous Reporting to the Auditee
2. Flash Reports to the Audit Recipient
3. The Draft Report
4. The Audit Exit Conference
5. The Final Audit Report
6. Audience Checklist

Reconciliation

1. Evaluation of Audit Findings and Recommendations
2. Joint Agreement on a Plan of Action
3. Audit Recipient Review of Corrective Action
4. Audit Agency Follow-up

PREPARATION

1. Decision to Conduct the Audit

The decision to conduct an audit will generally be made by the audit recipient (in this case the state advisory council members). The general purpose, objective, and need for each audit should be clearly determined before steps are taken to initiate it. Generally, the SACVE request for an audit will be made in order to gain information for one or both of the following purposes:

a. to gain a clearer understanding of vocational education in their own state or to compare that system with other models (knowledge development)

b. to execute specific evaluation projects.

To the following examples of objectives for an audit, the SACVE staff may want to add their own.

Evaluation Projects

- Examination and review of vocational education issues relating to:
  - Policy development
  - Goals and objective setting
  - Plan composition
  - Resources allocation
- Review of service delivery through examination of:
  - Training
  - Testing
  - Skill assessment
  - Placement
  - Support service
  - Related services

Knowledge Development

- An examination of the state's vocational education delivery system
  - Who is involved
  - What is the degree of involvement
  - How does this system compare with other vocational education models and systems
- An examination of the state's evaluation efforts
  - What are the types and degrees of evaluation activity
  - How are they related to the larger system of education
  - What are the technical problems in evaluation
  - How are they being resolved
- Review of evaluation through an examination of issues relating to:
  - Program evaluations
  - System evaluations

Having determined the objectives of the audit, a schedule should be prepared allowing enough time for the auditor to prepare for each audit—usually six months or more in advance. A general guide should be prepared and formally documented in the auditor's working papers.[11] It should describe specific preparatory audit steps which clearly reflect the purpose and objectives of the audit. Although the guide should be flexible enough for later revision, it should be thorough enough to assure the auditee of the auditor's competence.

[11] U.S. General Accounting Office, *Standards for Auditing of Governmental Organizations, Programs, and Activities* (Washington, D.C.: Comptroller General of the U.S., 1972), p. 12.

2. Selection of the Audit Team

The team approach to auditing lends itself well to reviewing programs for effectiveness, with a view to aiding rather than criticizing their management. Whereas no one auditor may be competent in all areas, deficiencies may be balanced by careful selection of others on the audit team. For example, inviting one of the program staff members to participate in the audit would not only make the auditee more receptive to the audit but would also increase the competency of the team. Another source of the audit team might be the SACVE itself, among whose members will be found individuals with particular expertise in some aspect of vocational education or perhaps with previous auditing experience. In any case, the audit team should possess the necessary competencies to adequately accomplish the objective of the audit.

The audit team should have an experienced leader who will act as spokesperson and make job assignments and decisions.

The following example of training and experience which characterize a typical government education auditor [12] is included here for reference, but is not intended to be definitive or all-inclusive.

- analytical ability (usually demonstrated by training in accounting)
- college courses in management theory and controls
- on-the-job audit experiences with a variety of organizations
- some background in educational theory, technique, governmental programs, and compliance issues (this qualification may be compensated for by employing the team approach to include at least one member experienced in education)

3. Pre-Engagement Contact

In most cases the audit team leader will contact the highest authority in the agency to be audited through a phone call and follow-up letter. The following information should be conveyed in the initial contact:

- What will be audited
- The general purpose of the audit
- The names of those assigned to the audit
- When the auditors would like to begin the on-site work
- When the audit should be completed
- What preliminary information the auditors would like to have upon their arrival (organization charts, job descriptions, evaluation data and reports, brochures)
- A request for working space and equipment
- A request that a liaison person be assigned who can represent the auditee organization and with whom the auditors can discuss audit progress and findings
- A request that a formal entrance conference be called as early as possible to discuss the audit with all involved and interested parties[13]

[12] McMickle, *Auditing Public Education*, p. 157.
[13] Ibid., p. 84.

4. Auditor Familiarization

Team members will want to become familiar with the organization to be audited. In addition to materials provided by the auditee, it may be desirable to consult the library on such topics as proper organization functions and procedures. Pertinent governmental rules, regulations, and procedures also should be reviewed.

In reviewing programs for effectiveness, the audit team will need a working knowledge of good program evaluation practices so it can effectively review the auditee organization's data collection, analysis, and reporting systems. Old files may be examined for information on previous audits of the same agency, and discussions of the prospective audit held with other auditors who may contribute valuable information.

5. First Draft of the Audit Plan

The audit team leader is ready now to prepare a preliminary audit plan, which should consist of audit objectives, possible areas of investigation, and audit steps. Preliminary job assignments as well as time estimates for each of the audit steps should be included.

6. Audit Entrance Conference

On the first day of the audit, the SACVE audit team leader should call a conference with the head of the organization and all interested and involved parties to the audit. The team leader should lead the discussion using the following as a guide:

- Introduce the members of the audit team
- Explain the nature and purpose of the SACVE, and its interest in evaluating vocational educational programs
- Explain the purpose, objective, and scope of this particular audit
- Explain how the SACVE audit team intends to approach this audit (stressing that the philosophy of the audit team is to aid the agency rather than to find "mistakes")
- Explain the timetable and reporting procedures
- Ask if there are any areas that managers would like the audit team to look into or if the auditors can help in any way through their conduct and reporting of the audit[14]

7. The Walk-Through

By arranging for an escorted tour of the organization, SACVE staff auditors can increase their working knowledge of the organization itself. They may wish to ask a few general questions but should refrain from over-eager questioning that could cause defensiveness in the contact official or other staff members. The important thing during the walk-through is to be very observant for clues that may warrant further investigation. After the tour the audit team should make notes on what they have seen.

[14] Ibid., p. 85.

8. Revision of the Audit Plan

This final step of the preparation stage affords an opportunity for the SACVE audit team to update its preliminary audit plan. The objectives and audit steps can now be reassessed in light of new information gleaned from an analysis of preliminary materials supplied by the auditee and the team's own observations. The team is now ready to begin the conduct stage of the audit.

CONDUCT

It is important to remember that it will be impossible to thoroughly examine and evaluate every aspect of the organization. The audit team will want to settle either for a general review of major controls and activities or an in-depth review of a few functions or sections. Their decision will be largely determined by the original intent and objectives of the audit as detailed in the preliminary plans and modified by information gathered through the familiarization, conference, and walk-through steps. If, in the preparation stage, some major questions were raised, the audit team should include those areas in its examination.

The following section of the handbook will provide guidelines for conducting:

A general program audit: A general program examination which reviews inputs, process, and output factors involved in the program.

An evaluation audit: A closer look at program results or output through a review of evaluation plans and reports.

General Program Audit – Conduct Stage

In gathering data for its examination, the audit staff should always reflect the "helping" rather than "policing" approach in order to elicit maximum cooperation. It may help to remember that there will always be a difference between ideal conditions and workable, obtainable conditions in any organization. Any suggestions will be received more openly which are sensitive to the realities of the actual situation.

In any case, information sources should include at least the following:

- Interviews – Operating personnel (teachers, managers) may be interviewed to determine their role and perspectives in the organization. Program constituents (students, parents, employers) may provide valuable information regarding program processes and results.
- Observation – Through observation of actual processes, the SACVE audit staff may compare planned objectives and program descriptions with what actually appears to be happening.
- Review – Pertinent materials should be reviewed, both those which reflect program management (accounting records, policy and procedure manuals, instructional materials) and those that reflect program results, such as evaluation plans, instruments, and reports.

The following questions may serve to guide the SACVE audit team through the conduct stage of a general program audit. The questions, which are organized in an input-output-process framework, are supplemented by questions directly related to vocational education. The questions are not intended to be exhaustive, and the SACVE audit team may want to review these and add its own list of important questions.

Input

Policy

1. What policies guide the operation of the vocational program?
2. How were they developed? By whom?
3. To what extent are the policies of similar programs administered by different agencies consistent with each other?

Goal and Objective Setting

1. Have plans and objectives been determined and set down in writing? Are plans and objectives stated in measurable terms?
2. How were they determined? By whom?
3. What needs assessment data were used?
4. How were these data collected?
5. How adequate are the data?
6. To what extent do the goals and objectives address the totality of the population who may benefit from this program?
7. To what extent do the goals and objectives address the expected employability of participants?
8. What additional funds, facilities, manpower, and information could be made available? Should be made available?

Planning

1. How is the need for the occupational program established? Measured?
2. What demographic, economic, employment, and educational data are used to formulate plans?
3. Who is involved in the planning process? To what extent?
4. Are the plans evaluated? How?
5. How frequently are the plans modified? Based upon what reasoning? Criteria?
6. To what extent are the plans formulated in consideration of the plans for the agency's other programs?

Output

Product

1. Are results and accomplishments evaluated? Are they compared against planned objectives?
2. Does management know what they want to do? have to do? should do? How well they are doing it?
3. How is employability ascertained?
4. What instruments are used?
5. To what extent have employers participated in the process?
6. What percentage of graduates are employable? Early leavers?
7. What percentage was planned?
8. What percentage are prepared for available jobs?
9. What happens to participants who are not employable?

Outcome

1. What are the actual results and accomplishments of the program? Could more be accomplished?
2. Do program completers get jobs?
3. Do noncompleters get jobs?
4. How long does it take?
5. How satisfied are employers?
6. Are participants employed in occupations that are training related?
7. To what extent is there a high employment potential for the skills taught?
8. Are participants satisfied with their training?
9. To what extent are changes in plans and curriculum related to the employment outcome of participants?

Process

Resource Allocation

1. What are the source and amount of funds allocated to the vocational program?
2. On what basis are the funds distributed?
3. How adequate are the fiscal, physical, and personnel resources to accomplish the goals and objectives for the vocational program?
4. What are the per participant costs of the program?
5. How do per participant costs for programs administered by different agencies compare?
6. How are resources utilized? (e.g., are talents and work skills put to optimum use? Are machines and facilities employed at their maximum and best use? Are machines and facilities adequate? Would new purchases or changes result in significantly better products?)
7. Is there adequate protection and maintenance of resources (including personnel)?
8. Are there any major bottlenecks?
9. Are there any unnecessary jobs, equipment, or facilities?

Operations

1. What are the characteristics of the vocational program curriculum?
   a. How are curriculum needs determined?
   b. How is the curriculum evaluated?
   c. What special provisions are made for persons with special needs?
   d. How are special needs persons served?
   e. What has been the involvement of employers and crafts councils in curriculum development?
   f. How is competency ascertained?
2. How does work flow through the organization or division?
3. Could teacher/employee morale, attitude, or behavior be improved?
4. Are management controls and management information systems adequate? Is information complete, prompt, factual, and meaningful? Does management know what is going on? When it is going on?
5. Are jobs clearly defined? Are there job performance standards? Are these standards actually in use?

Evaluation Audit – Conduct Stage

The program audit examination process previously described may be used by SACVEs whether or not an evaluation system has been installed by the auditee. However, when the audited agency can produce information which has been gathered through a systematic evaluation process—as is the case of most state board programs—the SACVE may choose to assess program results through an examination of evaluation plans and reports as well as the procedures for gathering and analyzing the data. The evaluation audit, which is essentially the evaluation of an evaluation, is appropriate to the SACVE function in several ways.

- Most vocational education programs receiving federal funds through the state board of education will already be part of the state's system for evaluating programs.[15] As state advisory councils are required to participate in the monitoring[16] of these evaluations, by performing evaluation audits they would be fulfilling one of their legislated functions relative to state board evaluations.
- The evaluation audit helps to verify the accuracy and reliability of data gathered by providing a check on the evaluation system itself. The results may eliminate the need to conduct the more time-consuming general program audit.
- Through their activity as evaluation auditors, SACVE staff obtain information important to SACVEs in carrying out their broad responsibility to make informal evaluative judgments on the effectiveness of vocational education programs.

Requirements of the Evaluation Auditor. As evaluation auditors, the SACVE audit team should exhibit the qualities typical of all good auditors: independence, competence, and professionalism. Additionally, in order to "evaluate evaluations," at least one team member must be familiar with and preferably trained in good program evaluation practices.

Scope of the Evaluation Audit. As noted previously, the evaluation audit may be performed without ever visiting the program, activity, or service in question or it may be incorporated into the general program audit process. The basic functions of the evaluation auditor are, briefly, as follows:[17]

Check and report on the strengths and weaknesses of the evaluation plan, including

- completeness of the plan
- validity and reliability of the data collection instruments for the vocational program being evaluated
- internal and external validity of the data collection procedures and conditions
- technical quality and appropriateness of the data storage and analysis techniques
- cost effectiveness of the evaluation plan

[15] P.L. 94-482, 90 stat. 2187, sec. 112, part A.

[16] Ibid., part B.

[17] Kay Adams and Jerry P. Walker, *Improving the Accountability of Career Education Programs* (Columbus, Ohio: National Center for Research in Vocational Education, The Ohio State University, 1979), pp. 28-30.

Verify the accuracy of the evaluation findings and report, including

- Does the report clearly describe:
  - objective of the evaluation
  - program content
  - purpose and procedures of the evaluation
  - sources of information
- Are information-gathering instruments and procedures valid and reliable?
- Does the report reveal adequate attention to the review, correction, and analysis of data?
- Are the conclusions justified?
- Is the independence of the evaluators reflected in objective reporting?

Evaluation Audit Process.[18] The evaluation auditor is typically responsible for:

- Development of a plan or contract for auditing which includes dates of report submission and what objectives, instruments, and data will be examined
- Conduct of the pre-audit critique—a review of the program evaluation plan to determine if it can be audited and to suggest changes in objectives, instruments, data collection procedures, and so on
- Preparation of a final audit report—an analysis of a sample of the program evaluation data and an audit of the final evaluation report of the program

The following list of criteria[19] can be useful to the evaluation auditor in assessing the effectiveness of an evaluation plan.

[18] Klein describes the evaluation audit process in more detail through a kit of workshop materials. Stephen Klein et al., *Educational Program Auditing Training Package* (Los Angeles: Center for the Study of Evaluation, University of California, 1971).

[19] Adapted from James R. Sanders and Dean H. Nafziger, *A Basis for Determining the Adequacy of Evaluation Designs.* (Kalamazoo, Michigan: Evaluation Center, College of Education, Western Michigan University, 1977).

Criteria for Evaluating Plans

Scope

Does the range of information to be provided include all significant aspects of the program being evaluated?

Relevance

Does the information to be provided serve the information needs of the intended audiences?

Flexibility

Does the evaluation plan allow for new information needs to be met as they arise?

Reliability

Will the information be collected in such a way that if someone repeated the study they would obtain similar findings?

Objectivity

Have provisions been made to help eliminate bias in data collection and processing?

Representativeness

Will the information collected accurately and fairly portray the program?

Timeliness

Will the information be provided in time to be useful to the audiences for the evaluation?

Pervasiveness

Will the information be provided to all who need it?

Ethical Considerations

Will the evaluation guarantee confidentiality and protection for those who provide information?

Protocol

Are conventional protocol steps planned for contacting people in the appropriate sequence and for following existing policies and procedures?

Security

Have provisions been made to maintain the security of the evaluation data?

Credibility

Does the design of the evaluation encourage trust in the results by relevant audiences?

Cost-effectiveness

Compared to the potential payoff, will the evaluation be carried out at a reasonable cost?

Criteria for Evaluating Reports

Following is an outline of topics which should be included in the evaluation report of a typical vocational education program, and may serve as an example of criteria for report evaluations.[20]

Introduction

1. Purpose of the evaluation
2. Questions to be answered
3. Audiences to be served

Description of the Program Being Evaluated

4. Documented needs for the program
5. Subject matter
6. Objectives
7. Instructional procedures/program activities
8. Students (e.g., characteristics, type, and number involved)
9. School setting and involvement
10. Community setting and involvement
11. Cost (e.g., total and per pupil amount needed for initial start-up and for continuation)

Evaluation Procedures

12. Overall framework
13. Information sources (population, sample)
14. Data collection procedures/research design
15. Instruments used
16. Data analysis procedures
17. Limitations, constraints, and possible sources of bias

Results

18. Program outcomes in relationship to needs of constituency
19. Attainment of objectives
20. Unintended outcomes and social benefits
21. Cost-effectiveness

Interpretation

22. Value of the outcomes
23. Conclusions

Summary

[20] Adams and Walker, *Improving the Accountability*, p. 83.

Combining the Evaluation Audit and Program Audit. The two forms of performance auditing described in this chapter—the general program audit and the evaluation audit —may be used by the SACVE staff in complementary ways.

If, for example, weaknesses in the evaluation plan or reports are discovered through the evaluation audit, the SACVE will have the opportunity to suggest changes in the evaluation system under review. On the other hand, an evaluation plan and report, in all respects well executed, may very likely suggest problem areas and questions worthy of further investigation by the SACVE staff. They may at this point decide to engage in the full four stages—preparation, conduct, reporting, and settlement—of a general program audit.

A third possibility is that an audit of evaluation plans and reports may reveal no problem with either the evaluation system or the program, which would signify no need for further investigation as long as the original objectives of the audit are satisfied.

REPORTING

Next to providing information to SACVE members, the most important objective of the performance audit activity is to aid program managers in their efforts to improve programs. The manner in which audit findings are communicated will affect the use of the audit findings. The following steps will help to increase the use of the audit findings.

1. Continuous Reporting to the Auditee

It is very important that the SACVE audit team keep the agency contact official informed throughout the audit and especially whenever a significant finding or major question arises. To avoid secretiveness, it is best to handle this situation by arranging a formal meeting with the contact official whenever, during the course of the audit, it occurs. By avoiding the situation in which the auditee is the "last to know," the SACVE audit team will be promoting their role as supporters and playing down the policing aspect of the audit function.

2. "Flash Reports" to the Audit Recipient

Upon conclusion of the audit and before a draft report is delivered, it may be appropriate in some instances to notify the audit recipient (SACVE) of major findings. This report which may be oral or written (one page) should briefly explain the auditors' impressions of a problem, its cause, and possible solutions. Or, the flash report may not describe a problem at all, but simply be a short summary of a specific piece of information requested by the SACVE.

For example, the SACVE might have asked their staff auditors to take inventory of the age, condition, and cost of the office machines currently in use in an office practice training program. This information could be accumulated, and presented in a "flash report," with copies transmitted directly to the SACVE and to the auditee before a complete report of the audit findings is submitted.

3. The Draft Report

The draft report should be prepared as soon as possible upon conclusion of the examination, and promptly delivered to the contact official well in advance of the audit exit conference. The auditee agency must be allowed adequate time to prepare a reaction to the findings. In preparing the draft report, the SACVE audit team should note: (1) strengths and achievements of the program, (2) areas which lack information sufficient for auditing, (3) areas of perceived weakness, and (4) conclusions and recommendations for improvement.

Since the SACVEs are not under contract to a funding agency, nor are they directly responsible for policy decisions, they are in a good position to offer positive suggestions in a nonthreatening manner. To be most effective and helpful, the draft report should reflect this position.

4. The Audit Exit Conference

The purpose of the audit exit conference, the counterpart of the audit entrance conference, is to formally explain the audit findings to the auditee. The same individuals should be in attendance, with the possible addition of representatives of the SACVE as audit recipients. The exit conference should be led by the SACVE audit team leader, who should:

- Note management achievements as well as management problems.
- In a positive manner, carefully review each finding – including supporting logic, evidence, probable causes, and suggestions for solutions.
- Solicit auditee concurrence on each finding. If the auditee disagrees with the auditors' conclusions, the auditor should ask for a formal position statement from the auditee for inclusion in the audit report.
- Review with the auditee his/her general observations and impressions and any suggestions he/she feels may be helpful to the auditee but which do not warrant inclusion in the audit report.
- Express appreciation for assistance and courtesies extended by the auditee during the course of the audit.
- Maintain a formal record of comments and communications made during the conference.

In particular, the auditee representatives should be asked whether they feel the report is accurate, fair, and fully includes the position of the auditee organization. The audit team leader should carefully consider their comments and determine if any changes, deletions, or adjustments should be made in the final report.

5. Final Report

After the audit findings have been discussed in "flash reports," the draft report, and during the audit exit conference, any changes, deletions, or adjustments should be incorporated into the final report. If the auditee strongly disagrees with the conclusions, a statement should be solicited and included with the final audit report.

Overall appearance can have a surprising impact on whether or not the findings are seriously reviewed. The final report should have a professional, attractive appearance. Choose type styles, paper quality, multiple colors, and cover designs to highlight important points. The use of photographs, charts, and diagrams also should be considered to summarize and/or draw attention to portions of the report.

In general, the audit report structure should include the following:

- A short summary, one to two pages, in the front of the report (indexed to the body
- of the report)
- The scope and objectives of the audit
- Achievements noted during the course of the audit
- Problems uncovered by the audit

- The significance and magnitude of the problems
- The causes of these problems
- Suggested solutions or preventive action
- Auditee positions regarding these recommendations, without auditor rebuttal; as well as any steps that the auditee has already taken to correct the problem
- Overall conclusions

When finalized, the audit report will provide information for (1) improvement of the audited program, and (2) the SACVE as it seeks to evaluate the effectiveness of the state's program and services. However, there may be other audiences with whom the results may be shared. Worksheet 4[21] may be used to help the SACVE identify additional interested audiences and their specific information needs.

[21] Ibid., *Improving the Accountability*, p. 34

Work Sheet No. 4
Performance Auditing

AUDIENCE CHECKLIST

Instructions: In the first and second columns check (✓) whether the audit should serve each of the following audiences. In the third column rank the relative importance of each audience checked "yes." Use "one" as the highest rank. In the right-hand column list the information needs of the audiences checked "yes."

Who are the relevant decision makers and opinion leaders who should be considered? What are their information needs?

Yes	No	Rank		Information Needs
☐	☐	☐	Local school boards?	_____
☐	☐	☐	Local advisory committees?	_____
☐	☐	☐	Community leaders?	_____
☐	☐	☐	State boards of education?	_____
☐	☐	☐	Federal funding sponsors?	_____
☐	☐	☐	State advisory councils for vocational education?	_____
☐	☐	☐	Legislators?	_____

Are program staff and participants involved in planning the audit? Yes? No? How important is their participation? Rank them. What are their information needs?

☐	☐	☐	Program staff (teachers, coordinators, administrator)?	_____
☐	☐	☐	Student Participants	_____
☐	☐	☐	Others involved in implementing the program (volunteers from business, industry, labor, the professions, or government)?	_____
			_____	_____

Will the public be kept informed of the goals and results of the audit? Yes? No? How important is it that they be kept informed? Rank them. What are their information needs?

☐	☐	☐	Parents?	_____
☐	☐	☐	Other concerned citizens in the local community?	_____
☐	☐	☐	Professional colleagues in vocational education and evaluation?	_____

RECONCILIATION

Reconciliation of the audit is the last step of any audit process. Since reconciliation takes place between the audit recipient and the auditee and it may or may not involve the direct participation of the auditor, it is often neglected in the auditing literature.[22]

Assuming that the SACVE will hope to see some action taken on audit recommendations produced through their staff audits even though their relationship to the auditee is not one of funding source, requiring strict accountability, the steps to the reconciliation stage are listed here, with the expectation that the SACVE may modify them substantially to reflect their advisory role to vocational education programs.

1. Evaluation of Audit Findings and Recommendations

Careful review of the audit findings and recommendations should be undertaken by the audit recipient, in this case the SACVE, in consultation with the staff audit team.

2. Joint Agreement on a Plan of Action

The audit recipient should attempt to work with the auditee to establish a plan for corrective action and a timetable with a series of interim deadlines.

3. Audit Recipient Review of Corrective Action

The audit recipient should monitor the status of corrective action at each successive deadline.

4. Follow-up Audit

Finally, the audit recipient may want to authorize another audit, to include a review of the prior findings.

Regardless of the extent to which the reconciliation stage is developed, the SACVE audit staff should keep a copy of the completed audit on file for possible future reference.

[22] McMickle, *Auditing Public Education*, p. 97.

CHAPTER V.
USING THE RESULTS OF THE AUDIT

The following questions may be useful guides to SACVE members and staff in identifying the factors which impact on the implementation of evaluation and audit results.[23]

Will audit findings be used as a basis for making decisions about a program, service, or activity?

Evaluation is not an end in itself, but should be used as part of policy planning and management. Problems may result not only when audit findings are disregarded but also when the audit results are misused. Audit or evaluation information is prevented from influencing decisions by numerous kinds of misuse such as the following three frequently identified types:

- Shuffling reports and recommendations back and forth by asking for signatures and clarifications has been known to prevent implementation of recommendations.
- Evaluation results may sometimes be used to defend the status quo against innovation.
- When evaluation results are accepted uncritically, policy decisions may be based on evaluations that used unsound methods or faulty conceptualization.

Can the audit results be used for public relations or lobbying?

Can the audit results be used:

- to keep constituents informed of the status and outcomes of vocational education locally, statewide, or nationally;
- to gain support for a particular program or for vocational education in general;
- to influence future decisions and legislation not directly related to the single program being evaluated?

The results of an audit can be used as a defense of the status quo or as an impetus for change. Listed below are some guidelines for communicating evaluation results to constituents such as parents, boards of education, advisory councils, and legislators.

- Illustrate the outcomes of the program with examples of how individual students, teachers, and other participants benefited from the program.
- Compare the successes and weaknesses of the program to those of other programs.
- Stay abreast of the various political developments that influence the program.

[23] *Adams, Improving the Accountability*, pp. 90-96.

Are the audit recommendations written in a manner that will enhance their significance and facilitate their use?

Evaluation recommendations are more likely to be implemented when:

- they are not overly time-consuming to implement
- they are not overly costly to implement
- they are flexible and present alternative recommendations
- they call for incremental change rather than total revamping of the program
- they place the program staff in a central role yet do not make unreasonable demands on them
- they are short and concise
- they are easily communicated

How can some people's resistance to acknowledging audit findings be reduced?

Some people inherently resist using data to make decisions. Thus, it is often difficult to change intuitively-oriented decision-makers into more pragmatic ones. If the SACVE members encounter serious resistance to their performance audit efforts, the following suggestions may help to resolve the conflict.

- Appraise the amount and focus of resistance and consider restating the audit findings in a more diplomatic manner
- Use advisory groups who represent opposing factions to give fair representation of all facets of the problem issue
- Compromise and settle on partial change if necessary
- Use listening as a deliberate approach; allow persons to express their resistance
- Communicate or share the benefits from implementing the audit results with persons concerned
- Seek and use direct and personal support from the top of the organization

The SACVE Challenge — Some Concluding Thoughts

In suggesting alternative solutions to problems of vocational education, SACVE members and staffs are challenged by the following tasks:

- deciding what they believe the needs of vocational education are
- understanding what services already exist
- determining how programs could be altered or changed
- articulating and/or helping to formulate standards for program performance on state and local levels

It is important to remember that there is little agreement on the standards by which vocational education should be evaluated. Yet standards are clearly being used in every program at every level of activity. Perhaps the SACVE may act as a focal point for a discussion of standards and values which would lead to some agreement about measurable goals and objectives within the state system.

SACVEs have been presented with a formidable challenge: to influence present improvements and future direction of their state vocational education delivery system. In helping to define the goals of vocational education, reviewing information to ascertain whether objectives are being met, and presenting their findings to relevant decision-makers, they will have contributed greatly to the overall clarity and quality of service delivery in the state.

The work performed by the SACVE staff in obtaining information about the state's vocational education system is crucial to the successful performance of the council in these three areas. It is anticipated that the auditing procedures presented in this handbook will provide a useful vehicle to SACVE staffs in meeting the challenge.

APPENDIX

Evolution of Performance Auditing

Although audits can be grouped into a number of different classes, none of them is totally discrete. A division of audits into the three categories of financial, compliance, and performance was introduced by the AIDE Project for purposes of their inquiry and will be carried through in this handbook for purposes of clarity. The three concepts will be discussed in their previously stated order, which is reflective of the order of their historical evolution. Although the discussion is brief, its intent is to orient SACVE members and staffs to the historical scope of auditing and to provide a basis for understanding the nature of performance audits relative to the broader scope of auditing.

Financial Auditing

Auditing as an accountability device has been in practice since 2000 B.C. when the Egyptians developed a system for checking on the contents of the royal treasury.[1] It was during the Dark Ages in England and Europe, however, that the basis of contemporary auditing was founded. During this time and up until around 1840, auditors were usually amateurs honored with an appointment which would last only through the duration of the audit. Audits were concerned with two objectives: detection of fraud and detection of error. Auditors were expected to "be so prudent and so faithful, and so knowing in their business, that they have no need of the teaching about things connected with the account."[2]

Auditing as a profession in the United States was stimulated by the Securities and Exchange Acts of 1933 and 1934 which included a provision for auditing all companies registering securities for sale. Auditing up to this time was still concerned first with the detection of fraud and secondarily with the detection of error. The auditing process primarily consisted of a detailed examination of financial records; however, the difficulty and expense of auditing every transaction of large companies provided stimulus for the emerging reliance upon internal control and testing (rather than complete examinations).

As auditing practices gradually changed to include more sampling techniques, so too the priorities and objectives of auditing changed. The objectives became: first, to ascertain the actual financial condition and earnings of an enterprise; and second, to detect errors and fraud.[3]

Audit standards which were approved by the American Institute of Accountants in 1948 (later to become the American Institute of Certified Public Accountants--AICPA) are today considered to be the foundation of their financial audits. The most frequently referred to statement of standards issued by the AICPA is Number 33 published in 1961, which delineated general, field work, and reporting standards.

[1] Richard Brown, *A History of Accounting and Accountants* (Edinburgh, Scotland: T.C. and E.C. Jack, 1905), p. 76.

[2] Peter L. McMickle and Gene Elrod, *Auditing Public Education* (The AIDE Project), Montgomery, Alabama Department of Education, p. 7.

[3] Robert H. Montgomery, *Auditing Theory and Practice* (New York: Ronald Press Co., 1912), pp. 10-11.

Later, in 1954, a fourth standard of reporting was added:

> (4) The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clearcut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

Compliance Auditing

Whereas financial auditing occurs mostly in the private domain and is performed for the most part by certified and public accountants, compliance auditing is of greater concern in government, and focuses on administrative adherence to legal and administrative requirements. To the extent that financial and performance criteria are spelled out in laws affecting an agency's operations, compliance auditing may also embrace these two areas.

The expansion of auditing to include administrative compliance in addition to fiscal responsibility may be traced to the 1940s and a general interest in improving management for government. When the General Accounting Office (GAO) was created in 1921 a broader scope of auditing was implied which was later reinforced in the Legislative Reorganization Act of 1974:

> The Comptroller General is authorized and directed to make an expenditure analysis of each agency in the executive branch of the Government (including Government corporations) which in the opinion of the Comptroller General, will enable Congress to determine whether public funds have been economically and efficiently administered and expended.[4]

Compliance auditing does not depart from the standards which have evolved historically and are reflected in the AICPA Standards. The scope is simply expanded to include a review of administrative practices. The emphasis on legal and procedural compliance tends, however, to hinder the compliance auditor's ability to develop a cooperative spirit with the auditee, who may perceive the auditor solely as a critic of the program.

Compliance auditors typically approach the agency to be audited with a clear list of major compliance categories which are to be checked. For example, a sample of local school districts may be examined to determine satisfactory compliance in such areas as:

- concentration of government funds
- design and evaluation of projects
- procurement of equipment, materials and facilities
- fiscal controls and reporting[5]

[4] Ibid., pp. 12-14.

[5] Ibid., p. 69.

Performance Auditing

Performance auditing is the newest auditing concept on the horizon. It goes beyond fiscal and legal accountability to encompass aspects of economy, efficiency, and effectiveness, carrying with it more potential than either financial or compliance auditing for aiding managers in their effort to improve programs.

The development of performance auditing builds on concepts associated with "management" or "operational" auditing which are audit activities internal to a company and designed to help managers improve the economy, efficiency and effectiveness of their own operations.[6] Auditors performing these functions for management are in the service of the company rather than in that of another external agency. Because of the excellent results reported by companies employing internal auditors, and because of the expanding definition of accountability to include program performance, the federal government has gradually adopted many of the objectives of operational and managerial audits in conducting its own audits.

In 1972 the General Accounting Office made a significant contribution toward the establishment of performance auditing standards by publishing its Standards for Audit of Government Organizations, Programs, Activities, and Functions. Building on the audit standards of the AICPA, these new standards extended the scope of governmental auditing to potentially include financial, compliance, economy, efficiency, and effectiveness, and are applied to both internal and external audits.

Because of their potential to upgrade and to stimulate consistency in auditing activity on federal, state, and local levels, the GAO standards are reproduced on the following pages for the reference of state advisory council staffs.

[6] Ibid., p. 19.

GOVERNMENT AUDITING STANDARDS
The General Accounting Office

General Standards

1. The full scope of an audit of a governmental program, function, activity, or organization should encompass:
   a. An examination of financial transactions, accounts, and reports, including an evaluation of compliance with applicable laws and regulations.
   b. A review of efficiency and economy in the use of resources.
   c. A review to determine whether desired results are effectively achieved. In determining the scope for a particular audit, responsible officials should give consideration to the needs of the potential users of the results of that audit.
2. The auditors assigned to perform the audit must collectively possess adequate professional proficiency for the tasks required.
3. In matters relating to the audit work, the audit organization and the individual auditors shall maintain an independent attitude.
4. Due professional care is to be used in conducting the audit and in preparing related reports.

Examination and Evaluation Standards

1. Work is to be adequately planned.
2. Assistants are to be properly supervised.
3. A review is to be made of compliance with legal and regulatory requirements.
4. An evaluation is to be made of the system of internal control to assess the extent it can be relied upon to ensure accurate information, to ensure compliance with laws and regulations, and to provide for efficient and effective operations.
5. Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the auditor's opinions, judgments, conclusions, and recommendations.

Reporting Standards

1. Written audit reports are to be submitted to the appropriate officials of the organizations requiring or arranging for the audits. Copies of the reports should be sent to other officials who may be responsible for taking action on audit findings and recommendations and to others responsible or authorized to receive such reports. Copies should also be made available for public inspection.
2. Reports are to be issued on or before the dates specified by law, regulation, or other arrangement and, in any event, as promptly as possible so as to make the information available for timely use by management and by legislative officials.

3. Each report shall:

   a. Be as concise as possible but, at the same time, clear and complete enough to be understood by the users.

   b. Present factual matter accurately, completely, and fairly.

   c. Present findings and conclusions objectively and in language as clear and simple as the subject matter permits.

   d. Include only factual information, findings, and conclusions that are adequately supported by enough evidence in the auditor's working papers to demonstrate or prove, when called upon, the basis for the matters reported and their correctness and reasonableness. Detailed supporting information should be included in the report to the extent necessary to make a convincing presentation.

   e. Include, when possible, the auditor's recommendations for actions to effect improvements in problem areas noted in his audit and to otherwise make improvements in operations. Information on underlying causes of problems reported should be included to assist in implementing or devising corrective actions.

   f. Place primary emphasis on improvement rather than on criticism of the past; critical comments should be presented in balanced perspective, recognizing any unusual difficulties or circumstances faced by the operating officials concerned.

   g. Identify and explain issues and questions needing further study and consideration by the auditor and others.

   h. Include recognition of noteworthy accomplishments, particularly when management improvements in one program or activity may be applicable elsewhere.

   i. Include recognition of the views of responsible officials of the organization, program, function, or activity audited on the auditor's findings, conclusions, and recommendations. Except where the possibility of fraud or other compelling reason may require different treatment, the auditor's tentative findings and conclusions should be reviewed with such officials. When possible, without undue delay, their views should be obtained in writing and objectively considered and presented in preparing the final report.

   j. Clearly explain the scope and objectives of the audit.

   k. State whether any significant pertinent information has been omitted because it is deemed privileged or confidential. The nature of such information should be described, and the law or other basis under which it is withheld should be stated.

4. Each audit report containing financial reports shall:

   a. Contain an expression of the auditor's opinion as to whether the information in the financial reports is presented fairly in conformity with generally accepted accounting principles or with other specified accounting principles applicable to the organization, program, function, or activity audited. Material changes in accounting policies or procedures, their effect on the financial reports, and violations of legal or other regulatory requirements, including instances of noncompliance, shall be explained in the audit report.